

Members

Sen. Luke Kenley, Chairperson
Sen. Brandt Hershman
Sen. John Broden
Rep. Peggy Welch
Rep. Eric Turner

Advisors

Sen. Robert Meeks
Sen. Lindel Hume
Rep. William Crawford
Rep. Jeffrey Espich
John Grew
Steven Johnson
Katrina Hall

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Authority: IC 2-5-3-2



COMMISSION ON STATE TAX AND FINANCING POLICY

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MEETING MINUTES¹

Meeting Date: November 13, 2007
Meeting Time: 1:00 P.M.
Meeting Place: State House, 200 W. Washington St.,
Room 404
Meeting City: Indianapolis, Indiana
Meeting Number: 8

Members Present: Sen. Luke Kenley, Chairperson; Sen. John Broden; Rep. Peggy Welch; Rep. Eric Turner; Sen. Robert Meeks; Sen. Lindel Hume; Rep. William Crawford; John Grew; Katrina Hall.

Members Absent: Sen. Brandt Hershman; Rep. Jeffrey Espich; Steven Johnson.

I. Call to Order.

Sen. Luke Kenley, Chairperson, called the meeting to order at 1:15 P.M.

The Chair thanked the Commission members for their work. He then introduced a letter written by Peggy Reitzel, Taxpayer, and forwarded to the Commission by Sen. Connie Lawson (Exhibit A). Sen. Kenley also provided the public comments forwarded from the Indiana Commission on Local Government Reform and submitted through this Commission's website (<http://www.in.gov/legislative/propertytaxreform/>) (Exhibit B).

The Chair then made comments on the Commission's proposed final report (Exhibit C). Sen. Kenley spoke about problems with Indiana's current tax structure and the impact those problems were having on the lifestyle of many property owners. He presented estimates that showed the business share of property taxes decreased more than 14% from 2002 to 2007, while the residential share of property taxes increased more than 18% over the same period.

¹ Exhibits and other materials referenced in these minutes can be inspected and copied in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for copies may be mailed to the Legislative Information Center, Legislative Services Agency, 200 West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for copies. These minutes are also available on the Internet at the General Assembly homepage. The URL address of the General Assembly homepage is <http://www.in.gov/legislative/>. No fee is charged for viewing, downloading, or printing minutes from the Internet.

Sen. Kenley explained that the Commission was not recommending elimination of property tax, but rather recommending making property taxes a smaller part of Indiana's tax structure. He also explained that the Commission was recommending many changes to tax system administration.

II. Presentation of the Proposed Final Report.

Sen. Kenley began discussion of the proposed final report by introducing the four major points of the Commission's recommendations (see Exhibit C, pp. 20-23).

- 1) Provide for major and permanent property tax relief.
- 2) Reduce growth in local spending and close tax loopholes.
- 3) Reform the property assessment system to provide clarity and transparency.
- 4) Offer revenue alternatives solely for the reduction of property taxes.

The Chair then asked Rep. Peggy Welch to present the details of point 1.

Rep. Welch thanked Sen. Kenley for his skillful guidance of the Commission, and read through the recommendations for point 1 (See Exhibit C, p. 20). Rep. Welch also noted that these recommendations were meant to reflect the issues presented to the Commission in more than 35 hours of testimony heard during this interim. She commented that protecting school funding was a goal shared by all of the Commission members even with a recommendation for state assumption of school general fund levies.

Rep. Eric Turner reiterated that fact that the recommended tax cuts were permanent and could be more than 50% for some homeowners, although the general recommendation was at least 50%.

John Grew commented that he felt this level of relief was appropriate, and a good solution to keep the stability of the property tax revenue as part of Indiana's tax structure.

Sen. Lindel Hume stated that, although he would prefer to take homestead property off the tax roll, the recommended property tax cuts were a more doable solution. He also commented on the importance with following through with recommended constitutional amendments to ensure the permanency of the recommended property tax cuts.

Sen. Kenley then explained the details of point 2 (see Exhibit C, p. 20) of the recommendations. He highlighted the need to strengthen debt issuance provisions to assure proper oversight. He explained this change was needed due to the fact that 30% of property taxes are currently dedicated to payment of debt service.

Sen. Kenley asked Katrina Hall to discuss the details of point 3 (see Exhibit C, p. 21) of the recommendations.

Ms. Hall explained the recommendations, and reiterated the need for greater transparency and clarity in the property tax assessment system.

Rep. Bill Crawford proposed amending the recommendation that requires each county to provide standardized reports on outstanding local debt to also provide these reports be at a central location with an elected official responsible for the reports. The amendment was adopted by voice vote.

Sen. John Broden commented that along with satisfying the public's expectations that property tax bills go down, he was pleased that the Commission was taking a serious approach to

amending the assessment system.

Sen. Hume proposed an amendment to this section of the recommendations to mention the need to appropriately compensate the one elected assessing official per county with which the Commission was recommending consolidating the assessment duties. The amendment was adopted by a voice vote.

Rep. Turner explained the details of point 4 (see Exhibit C, p. 22) of the Commission's recommendations. He reiterated that all new revenue raised under these recommendations would go toward property tax reductions.

Sen. Kenley then discussed the difference between the Commission's recommended revenue alternatives versus the revenue alternatives announced by the Governor. The Commission recommended an increase in local income tax, while the Governor proposed increasing the state sales tax by 1%.

Sen. Hume then discussed his preference that the state adopts the revenue alternatives rather than passing that decision onto local government officials.

Rep. Turner commented that allowing local officials to adopt the revenue alternatives seemed proper, since most property tax revenue went toward local spending.

Sen. Kenley then asked Dan Novreske, Senate Majority Fiscal Analyst, to present an illustration of one way the Commission's recommendations could be implemented (Exhibit D).

Rep. Welch reiterated that this was a visual example of one way the recommendations could be implemented, but that discussions are ongoing as to the exact method of implementation.

III. Public Testimony.

The Chair recognized Jim Ramsey, taxpayer, to testify. Mr. Ramsey distributed and briefly discussed a plan which he authored to amend Indiana's property tax system (Exhibit E).

Aaron Smith of Watchdog Indiana was recognized to testify. He distributed and discussed a plan to amend the property tax system (Exhibit F).

Dennis Costerison, Indiana Association of School Business Officials, testified concerning the Commission's recommendations. Mr. Costerison commented that although the school business officials had concerns about state assumption of the school general fund, they were willing to discuss these concerns with the members going forward. He also reiterated the officials' concern about the stability of future funding from income taxes versus property taxes, and the officials' recommendation of a separate school rainy day fund.

Frank Bush, Indiana School Boards Association, complimented the Commission on its work, and stated that although the association had concerns they felt they could possibly work within these recommendations.

IV. Adoption of the Recommendations and Final Report.

Sen. Kenley presented a letter from Sen. David Long, President Pro Tempore, appointing Sen. Robert Meeks as the voting member of the Commission replacing Sen. Brandt Herschman, whose absence was excused from today's meeting (Exhibit G). The Chair also excused the absence of advisory members Steve Johnson and Rep. Jeff Espich.

The Commission adopted the recommendations and final report, as amended, each by a unanimous roll call vote.

V. Other Business and Adjournment.

The Chair adjourned the meeting at 3:00 P.M.